United Nations DP/CCF/SLO/2

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
7 August 2000

Original: English

Third regular session 2000
25-29 September, New York
Item 9 of the provisional agenda
Country cooperation frameworks and related matters

Country cooperation framework for Slovakia (2001-2004)

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Introduction

1. The second country cooperation framework (CCF) for Slovakia covers the period 2001-2004. It has been prepared in consultation and in participation with the Government, civil society, the private sector and donors. This process included a review of the 1997-1999 programme and defined the orientation of the present CCF. Current issues and approaches were identified in the context of the national human development reports (NHDRs), the country review, the government strategy for public administration reform, the strategy for the solution of the problems of the Roma national minority, other programme and government documents, discussions with various officials at the national level, and discussions with non-governmental organizations (NGOs) and other potential counterparts.

I. Development situation from a sustainable human development perspective

2. The country's transition to a market-based economy and democratic Government has been marked by various steps that have proven very challenging in terms of their political, economic and social transformations and their achievements in sustainable human development. Since its creation in January 1993 with the dissolution of the Czech and Slovak Federal Republics, Slovakia has gone through various changes in approach and attitude. Today, the country seeks reform and sustainable human development, towards which it is determined to move during the 1998-2000 period.

3. The main catalyst for this change was the arrival of a reform-oriented Government elected in late 1998 and the filling of the President's office by direct elections in 1999. The election and transition of power to a coalition Government gives evidence of the maturation of democracy and civil-society involvement. As a coalition, the new Government has had to deal with severe problems that previously were not confronted or simply aggravated, such as strengthening the rule of law, suppressing crime and corruption, ensuring transparency within the privatization process, reviving international relations, addressing regional economic differences and meeting criteria for European Union integration. Upon taking office the new Government had to stop several detrimental and unsustainable efforts that were worsening the social and economic situation. This included massive public expenditure prior to the election, a non-transparent and monopoly-building privatization process, direct and indirect subsidies to State-owned enterprises, increased foreign borrowing, and government loan guarantees. The new Government had to address tax reform in order to increase revenues, deregulate prices in a systematic manner, reduce government spending, and try to ensure the conduct of a sufficient social welfare system.

4. Given government reforms and falling foreign and domestic demand, gross domestic product (GDP) decreased to 1.9 per cent in 1999 from 6.5 per cent in 1997. The inflation rate increased in 1999 to 14.2 per cent after being relatively stable since 1995 in the 5 to 7 per cent range. The increase in inflation can be attributed to price deregulation and to the balancing of wages and production. Wage increases were previously above production increases. Unemployment also increased to 16.2 per cent in 1999, compared to 11.8 per cent in 1997. There are significant regional unemployment disparities and a large proportion of unemployed youth. The positive aspect of this period is that both the negative foreign-trade imbalance and the fiscal deficit of the Government significantly decreased.

5. Significant regional disparities are shown in terms of GDP share, unemployment and income differentials. For instance, the regions of Bratislava and Kosice make up almost 50 per cent of total GDP output. Unemployment in Bratislava is only about 5 per cent, while in the district of Rimavska Sobota in the eastern part of the country it is more than 30 per cent. Income differentials are significant. Bratislava has the highest average income, with the second closest region only achieving 78 per cent of the Bratislava average and the lowest region only 65 per cent. The Government has recently decided to prepare a regional development strategy to address these regional discrepancies.

6. Income differentials are also evident between men and women, though the difference between them has diminished to about 20 per cent. The unemployment rate of women is slightly above that of men. Youth, especially those with limited education, are hit the hardest by unemployment. Social and

economic disparities are also prevalent in the Roma population, which according to unofficial estimates accounts for about 10 per cent of the population. The Government, which has taken various steps to address the very sensitive Roma situation, is currently being assisted by UNDP, the European Union and others.

7. Public administration reform is being addressed at the national, regional and local levels. The Government has made some attempts at decentralization. Furthermore, as the country prepares for integration into the European Union, various laws, policies and approaches are being adopted and implemented. However, overall, the number of public-sector employees is increasing rather than decreasing. Most other Central European countries are also experiencing this phenomenon. The Government has prepared a strategy for public administration reform, but it requires assistance in its implementation.

8. As part of public-administration and other reforms, corruption is one of the major impediments to sustainable human development in Slovakia. As indicated by Transparency International, Slovakia ranks well above other countries in the Central European region. This is verified by the perception of the public and business people in terms of hindering the operation of an effective civil service and private businesses.

9. The Human Development Report 1997 shows Slovakia to have a human development index (HDI) value of 0.873, a ranking of 42 out of 175 countries.

II. Results and lessons of past cooperation

10. The main thematic areas of the 1997-2000 CCF included: (a) private-sector development with an emphasis on small- and medium-scale development; (b) environmental management; and (c) capacity-building in the areas of economic negotiations and development-assistance management. In the course of the cycle, the programme has evolved to include (a) capacity-building for environmental management and sustainable development; (b) strengthening the capability of development cooperation; (c) local economic development; and (d) addressing the governance issue through public-administration reform.

11. For private-sector development, the programme mainly carried over from the previous cycle and over the period of implementation of the first CCF. Among others, UNDP provided support to the development of the tourism sector, given ITS perceived potential. Small- and medium-sized businesses and municipalities were encouraged to develop tourism, while local and regional development was supported through advisory services and through an information system of rural eco-tourism.

12. UNDP also supported the establishment of an NGO-based gender in development unit as a focal point for the advancement of women in the country. Through this activity, UNDP contributed to increasing awareness on gender issues. Recent reviews have, however, indicated that the project approach was not sustainable and, during the new cycle, gender will be mainstreamed into all programmes and projects.

13. For environmental-management and sustainable-development capacity-building, efforts have concentrated on building support for and applying the sustainable-development concept. The first effort aimed to establish a network of professionals involved in sustainable development. Workshops were then conducted to spread the understanding of the concept to other professionals and to help identify the major sustainable-development issues in Slovakia. The project was immediately followed by a sustainable-development capacity-building project concentrating on furthering the sustainable-development concept to local communities by providing small grants to NGOs and local community organizations. A series of seminars and studies are working towards the preparation of a national sustainable-development strategy, involving all stakeholders (government, civil society, private sector, academia).

14. To strengthen development cooperation, the Ministry of Foreign Affairs has received assistance to help define the type of approach that Slovakia should take as an emerging donor country. UNDP is supporting the Government in identifying a conceptual framework for development cooperation, in producing an inventory of existing development-assistance activities, organizations and expertise, and in strengthening capacities by providing training and exposing officials to other country development-assistance organizations and approaches. While the amount of Slovakia's development assistance is small, assistance is currently being provided. More emphasis

must be placed on preparing the legal framework for such assistance and on identifying an institution (with accompanying capacities) to coordinate the country's development-assistance programme.

15. Preparatory assistance for regional development and addressing the issue of governance through support to public administration reform have been instrumental in strengthening cooperation with the Government and in identifying future targeted activities responsive to the country's immediate needs.

16. Under the preparatory assistance for regional development, the local government of Spisska Nova Ves has received assistance in preparing a framework document for economic development in the district, which has a large Roma population. The assistance has led to the formulation of a major project to facilitate sustainable community development in the Middle Spis region in eastern Slovakia. The proposed project will be a major component of the 2001-2003 cycle.

17. The collaboration between the Government and UNDP on public-administration reform was initiated through the conducting of a functional review of central government organizations. The project supports the Government in developing a methodology to carry out functional reviews and to identify options to assist in much needed government restructuring. It has established a key relationship which can lead to further collaboration between the Government and UNDP collaboration in governance areas.

18. Overall, the 1997-2000 programme developed as the Government became more reform-oriented. Other efforts, such as the national human development report, are considered very useful by the Government and the public in identifying key issues. UNDP assistance helps to advance key issues and make actual reforms. The relationship is further advanced by the presence of the Regional Support Centre in Bratislava, whose presence allows more "hands-on" interaction with the Government and other players and promotes the more direct participation of Slovakia in the overall regional programme of the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC).

III. Objectives, programme areas and expected results

19. Between 2001 and 2004, Slovakia will struggle with some key transition issues as it attempts to reform its governance institutions, decentralize governance activities and achieve sustainable human development in an equitable manner throughout the country. In the last cycle of UNDP assistance, UNDP built a positive relationship with the Government in order to help advance efforts in a very focused and programmatic manner. The thematic areas for the next cycle of activities are: (a) applying sustainable human development at the national and local level; and (b) advancing good governance and institution-building.

20. Other efforts, such as the preparation of the NHDR and collaboration with UNDP on the RBEC regional programme, will continue.

A. Applying sustainable human development at national and local levels

21. This thematic area has evolved directly from the previous cycle. UNDP will cooperate with and support the Government in applying sustainable human development at national and local levels through two main subprogrammes.

22. At the national level, UNDP will continue its cooperation with the Ministry of Environment in the area of sustainable development. The programme will raise public awareness of the integrated and participatory approach of the Government and NGOs towards the joint designing of a sustainable development strategy, which will be used as a major input for the formulation, planning and implementation of the national development strategy. This national sustainable development strategy will be the main instrument used to promote a sustainable development planning approach in the country.

23. At the local level, the preparatory work for regional development has culminated in the identification of a project that will address sustainable community development in the Middle Spis region.

The project will apply a results-oriented sustainable approach to regional development, strongly based on partnerships with the Government, the private sector and civil-society organizations. It will involve all ethnic groups, but will focus on the most vulnerable, the Roma population. The project will initiate a dialogue with communities in order to establish and to initially support community organizations and development activities, and to create a community development facility that will provide credit and grant assistance. The project will equip the Government and local authorities with institutional tools to integrate vulnerable groups into the development process and will mobilize vulnerable communities to participate actively in this process. The project, if successful, will be used as a model in other regions.

B. Advancing good governance and institution building

24. The Government is confronting its public administration problems and weaknesses. It is also attempting to coordinate better its provision of external assistance. UNDP has been instrumental in helping the Government to advance these issues and to identify solutions. Given this active collaboration, UNDP will assist in even more targeted areas to advance reforms.

25. To assist public-administration reform, a functional review of government organizations will be conducted. A work plan will then be prepared to facilitate the implementation of the main recommendations on public-administration reform as stated in the functional review. After the completion of the programme, a new framework for the decentralization and modernization of public administration will be in place, a national programme for the fight against corruption will be implemented, an Ombudsman's office will be established and human-rights institutions will be further strengthened. Finally, in order to maximize the limited resources of UNDP and to intensify its ongoing interaction with the Government, a programme of good governance will be formulated to provide a flexible mechanism to address priority target areas defined in the functional review.

26. To assist Slovakia in its role as an emerging donor, specific activities will focus on identifying the legal framework for development assistance and on developing an institutional framework. Against this background, government officials in key institutions will be trained in order to strengthen human-resource capacities for the implementation of a foreign-assistance strategy. Likewise, organizational structures will be established to ensure effective management of this process. In this area, UNDP will provide strategic support, taking a long-term view on its future cooperation with Slovakia in its role as an emerging donor country.

IV. Management arrangements

A. Execution and implementation

27. National execution will continue to be the normal execution modality. National project managers and financial officers will be provided with appropriate training in accounting and reporting to ensure that accounting and auditing requirements are met.

28. Projects will be backstopped and supported by the RBEC Regional Support Centre based in Bratislava. Close consultation will take place between UNDP offices and the Department of International Economic Cooperation of the Ministry of Foreign Affairs, the main UNDP focal point. To the extent possible, other United Nations organizations, programmes and modalities will be used, such as the United Nations Volunteers programme, the Transfer of Knowledge Through Expatriate Nationals, United Nations Short-Term Advisory Resources and technical cooperation among developing countries.

B. Monitoring, review and reporting

29. Projects will be reviewed periodically, according to project work plans, to ensure that targets and benchmarks are achieved and are fully results-oriented. Project managers will submit work plans, and progress and other reports, according to UNDP requirements. This is to include annual progress reports, performance and evaluation reports, technical reports as required, terminal reports and the necessary tripartite review meetings.

C. Resource mobilization

30. In view of the limited UNDP resources available, particular attention will be given to continuing efforts to mobilize additional resources by attracting cost-sharing contributions or trust funds. The Government will provide its cost-sharing contribution. Most of the proposed projects complement the European Union, as well as other bilateral and ongoing government efforts.

Annex

Resource mobilization target table for Slovakia (2001-2004)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP regular resources		
Estimated carry-over into 2001	**688**	Includes AOS.
TRAC 1.1.1	336	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	232	
Subtotal	**1 256**[a]	
UNDP other resources		
Government cost-sharing	50	
Sustainable development funds	-	
Third-party cost-sharing	500	
Funds, trust funds and other	-	
Subtotal	**550**	
Grand total	**1 806**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.
Abbreviations: AOS = administrative and operational services; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.